

Senate, April 16, 1998. The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY, 11th DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT INCREASING THE PROPERTY TAX CREDIT AGAINST THE PERSONAL INCOME TAX AND CHANGING THE TREATMENT OF CERTAIN FEDERAL PENSIONS FOR THE INCOME TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 7 of
2 public act 97-309, as amended by section 4 of
3 public act 97-322, is repealed and the following
4 is substituted in lieu thereof:

5 (b) The credit allowed under this section
6 shall not exceed two hundred fifteen dollars for
7 the taxable year commencing January 1, 1997, and
8 for taxable years commencing on or after January
9 1, 1998, [two hundred eighty-five] THREE HUNDRED
10 dollars of the property tax first becoming due and
11 actually paid during the taxpayer's taxable year.
12 In the case of any husband and wife who file a
13 return under the federal income tax for such
14 taxable year as married individuals filing a joint
15 return, the credit allowed shall not exceed such
16 amounts for each such taxable year, in the
17 aggregate, of the property tax first becoming due
18 and actually paid during the taxable year of such
19 husband and wife.

20 Sec. 2. Subdivision (20) of subsection (a) of
21 section 12-701 of the general statutes, as amended

22 by section 9 of public act 97-309, is repealed and
23 the following is substituted in lieu thereof:

24 (20) "Connecticut adjusted gross income"
25 means adjusted gross income, with the following
26 modifications: (A) There shall be added thereto
27 (i) to the extent not properly includable in gross
28 income for federal income tax purposes, any
29 interest income from obligations issued by or on
30 behalf of any state, political subdivision
31 thereof, or public instrumentality, state or local
32 authority, district or similar public entity,
33 exclusive of such income from obligations issued
34 by or on behalf of the state of Connecticut, any
35 political subdivision thereof, or public
36 instrumentality, state or local authority,
37 district or similar public entity created under
38 the laws of the state of Connecticut and exclusive
39 of any such income with respect to which taxation
40 by any state is prohibited by federal law, (ii)
41 any exempt-interest dividends, as defined in
42 Section 852(b)(5) of the Internal Revenue Code,
43 exclusive of such exempt-interest dividends
44 derived from obligations issued by or on behalf of
45 the state of Connecticut, any political
46 subdivision thereof, or public instrumentality,
47 state or local authority, district or similar
48 public entity created under the laws of the state
49 of Connecticut and exclusive of such
50 exempt-interest dividends derived from
51 obligations, the income with respect to which
52 taxation by any state is prohibited by federal
53 law, (iii) any interest or dividend income on
54 obligations or securities of any authority,
55 commission or instrumentality of the United States
56 which federal law exempts from federal income tax
57 but does not exempt from state income taxes, (iv)
58 to the extent included in gross income for federal
59 income tax purposes for the taxable year, the
60 total taxable amount of a lump sum distribution
61 for the taxable year deductible from such gross
62 income in calculating federal adjusted gross
63 income, (v) to the extent properly includable in
64 determining the net gain or loss from the sale or
65 other disposition of capital assets for federal
66 income tax purposes, any loss from the sale or
67 exchange of obligations issued by or on behalf of
68 the state of Connecticut, any political
69 subdivision thereof, or public instrumentality,

70 state or local authority, district or similar
71 public entity created under the laws of the state
72 of Connecticut, in the income year such loss was
73 recognized, (vi) to the extent deductible in
74 determining federal adjusted gross income, any
75 income taxes imposed by this state, (vii) to the
76 extent deductible in determining federal adjusted
77 gross income, any interest on indebtedness
78 incurred or continued to purchase or carry
79 obligations or securities the interest on which is
80 exempt from tax under this chapter and (viii)
81 expenses paid or incurred during the taxable year
82 for the production or collection of income which
83 is exempt from taxation under this chapter or the
84 management, conservation or maintenance of
85 property held for the production of such income,
86 and the amortizable bond premium for the taxable
87 year on any bond the interest on which is exempt
88 from tax under this chapter to the extent that
89 such expenses and premiums are deductible in
90 determining federal adjusted gross income. (B)
91 There shall be subtracted therefrom (i) to the
92 extent properly includable in gross income for
93 federal income tax purposes, any income with
94 respect to which taxation by any state is
95 prohibited by federal law, (ii) to the extent
96 allowable under section 12-718, exempt dividends
97 paid by a regulated investment company, (iii) the
98 amount of any refund or credit for overpayment of
99 income taxes imposed by this state, or any other
100 state of the United States or a political
101 subdivision thereof, or the District of Columbia
102 or any province of Canada, to the extent properly
103 includable in gross income for federal income tax
104 purposes, (iv) to the extent properly includable
105 in gross income for federal income tax purposes,
106 any tier 1 railroad retirement benefits, (v) with
107 respect to any natural person who is a shareholder
108 of an S corporation which is carrying on, or which
109 has the right to carry on, business in this state,
110 as said term is used in section 12-214, the amount
111 of such shareholder's pro rata share of such
112 corporation's nonseparately computed items, as
113 defined in Section 1366 of the Internal Revenue
114 Code, that is subject to tax under chapter 208, in
115 accordance with subsection (c) of section 12-217,
116 multiplied by such corporation's apportionment
117 fraction, if any, as determined in accordance with

118 section 12-218, (vi) to the extent properly
119 includable in gross income for federal income tax
120 purposes, any interest income from obligations
121 issued by or on behalf of the state of
122 Connecticut, any political subdivision thereof, or
123 public instrumentality, state or local authority,
124 district or similar public entity created under
125 the laws of the state of Connecticut, (vii) to the
126 extent properly includable in determining the net
127 gain or loss from the sale or other disposition of
128 capital assets for federal income tax purposes,
129 any gain from the sale or exchange of obligations
130 issued by or on behalf of the state of
131 Connecticut, any political subdivision thereof, or
132 public instrumentality, state or local authority,
133 district or similar public entity created under
134 the laws of the state of Connecticut, in the
135 income year such gain was recognized, (viii) any
136 interest on indebtedness incurred or continued to
137 purchase or carry obligations or securities the
138 interest on which is subject to tax under this
139 chapter but exempt from federal income tax, to the
140 extent that such interest on indebtedness is not
141 deductible in determining federal adjusted gross
142 income and is attributable to a trade or business
143 carried on by such individual, (ix) ordinary and
144 necessary expenses paid or incurred during the
145 taxable year for the production or collection of
146 income which is subject to taxation under this
147 chapter but exempt from federal income tax, or the
148 management, conservation or maintenance of
149 property held for the production of such income,
150 and the amortizable bond premium for the taxable
151 year on any bond the interest on which is subject
152 to tax under this chapter but exempt from federal
153 income tax, to the extent that such expenses and
154 premiums are not deductible in determining federal
155 adjusted gross income and are attributable to a
156 trade or business carried on by such individual,
157 [and] (x) an amount equal to the difference
158 between the amount of Social Security benefits
159 includable for federal income tax purposes under
160 the provisions of Section 13215 of the Omnibus
161 Budget Reconciliation Act of 1993 and fifty per
162 cent of the amount of such Social Security
163 benefits includable for federal income tax
164 purposes under the provisions of the Internal
165 Revenue Code of 1986, or any subsequent

166 corresponding internal revenue code of the United
167 States, as from time to time amended, prior to
168 August 10, 1993, AND (xi) SEVENTY-FIVE PER CENT OF
169 THE AMOUNT OF BENEFITS PROPERLY INCLUDABLE IN
170 GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES
171 RECEIVED BY RETIREES OR SURVIVORS OF RETIREES
172 UNDER THE CIVIL SERVICE RETIREMENT SYSTEM WHO WERE
173 EMPLOYED BY THE FEDERAL GOVERNMENT PRIOR TO 1984.
174 With respect to a person who is the beneficiary of
175 a trust or estate, there shall be added or
176 subtracted, as the case may be, from adjusted
177 gross income such person's share, as determined
178 under section 12-714, in the Connecticut fiduciary
179 adjustment.
180 Sec. 3. This act shall take effect from its
181 passage and shall be applicable to taxable years
182 commencing on or after January 1, 1998.

183 PD COMMITTEE VOTE: YEA 12 NAY 7 JFS C/R FIN
184 FIN COMMITTEE VOTE: YEA 45 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT – BILL NUMBER sSB 416

STATE IMPACT Revenue Loss, see explanation
 below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Revenue Services

EXPLANATION OF ESTIMATES:

STATE IMPACT: The bill results in a revenue loss of \$11.3 million in FY 99. There is a revenue loss of \$11.0 million as a result of increasing the maximum allowable property tax credit from \$285 to \$300 and a loss of \$0.3 million from exempting income earned from federal annuities by retired federal employees.

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OLR BILL ANALYSIS

sSB 416

AN ACT INCREASING THE PROPERTY TAX CREDIT AGAINST THE
PERSONAL INCOME TAX AND CHANGING THE TREATMENT OF
CERTAIN FEDERAL PENSIONS FOR THE INCOME TAX

SUMMARY: This bill increases, from \$285 to \$300, the maximum property tax credit against the personal income tax, starting with the 1998 tax year. It also excludes from the state income tax 75% of the federal Civil Service Retirement System benefit retirees or survivors employed by the federal government before 1984 receive.

EFFECTIVE DATE: Upon passage and applicable to the 1998 and subsequent tax years.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute Change of Reference
Yea 12 Nay 7

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 42 Nay 0